



STRATEGY UPDATE

14 NOVEMBER 2013

Notes:

Bank of Queensland

Strategy Update
14 November 2013

Bank of Queensland Limited ABN 32 009 656 740. AFSL No 244616.



Notes:

Agenda

- ▶ Group strategy overview

Stuart Grimshaw
Managing Director and CEO

- ▶ Retail & Online Banking

Matt Baxby
Group Executive Retail & Online
Darren Maier
General Manager, Franchise Network
Philippa Bartlett
General Manager, Corporate Network
and Retail Transformation

- ▶ Business Banking, Agribusiness &
Financial Markets

Brendan White
Group Executive Business Banking, Agribusiness & Financial Markets

- ▶ BOQ Finance

Hugh Lander
CEO BOQ Finance

- ▶ Virgin Money Australia

Brian Bissaker
CEO Virgin Money Australia



Notes:

Q&A

- ▶ There will be time for questions at the end of each presentation
- ▶ If you are viewing via the webcast and would like to ask a question please dial-in using the teleconference details below:

Dial-in number (Australia): 1800 725 000

Dial-in number (International): +61 2 8373 3610

Conference ID: 91967539



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Notes:

Group strategy overview

Stuart Grimshaw

Managing Director and CEO

BOQ Strategy Update
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Clear, simple strategy remains unchanged

Multi channel optimisation

- ▶ Retail & Online expansion including mortgage broker rollout, digital-social refresh and replacement, and branch mix and capability upgrade
- ▶ Continued investment in Business Banking capability by geography and industry
- ▶ Virgin Money Australia provides access to new target customers, online acquisition capability

Risk/return balance

- ▶ Introduction of Balanced Scorecard for Owner Managers to better align interests
- ▶ Increased focus on profitable growth through targeted client acquisition in Business Banking including improved cross sell into financial markets, leasing and transaction banking
- ▶ Integration and channel (proprietary and 3rd party) focus in BOQ Finance and St Andrew's
- ▶ Wealth strategy leveraging growth in the SMSF market

Operational excellence

- ▶ Further savings in operations through centralised procurement
- ▶ CRM system pilot – leveraging the platform for operational effectiveness
- ▶ Continued review of the Commercial and Retail end to end lending processes

Talent, capability & culture

- ▶ New brand positioning launched end of May 2013
- ▶ Diversity target on track at 22% of senior managers – targeting 25% by 2015
- ▶ Target to improve staff engagement to amongst best in class



- Four pillar strategy is simple and consistent:
 - Opening doors to more customers.
 - Continued focus on risk and return.
 - Further efficiency gains to be harvested.
 - The right people with capability to execute.

Notes:



- Looking at the journey we've been on over the last 18 months, we've been able to demonstrate a track record of execution as we've established the foundations for a new operating model.
- Since the balance sheet recapitalisation in April 2012, we've achieved an extraordinary amount.
- We've targeted areas of opportunity to achieve growth, rather than chase growth for growth's sake, and we've demonstrated a relentless focus on margin and costs.

Notes:

Retail Banking

Matt Baxby

Group Executive, Retail & Online Banking

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Notes:

Introducing BOQ's Retail Banking Team



Matt Baxby

Group Executive, Retail & Online Banking

- ▶ Joined BOQ in May 2012
- ▶ 10 years with Virgin Group with a focus on consumer & digital innovation
- ▶ Previously MD of Virgin Money Australia and Commercial & Strategy Director at Virgin Money UK



Darren Maier

General Manager, Franchise Network

- ▶ Joined BOQ in November 2012
- ▶ 17 years of retail franchise experience with Optus and Bakers Delight
- ▶ 9 years retail banking experience with Colonial



Philippa Bartlett

General Manager, Corporate Network and Retail Transformation

- ▶ Joined BOQ in June 2013
- ▶ 17 years retail banking experience with BankWest
- ▶ Leadership roles across all sales distribution channels including national branch network



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- To deliver results, strategy needs to be underpinned by strong execution capability.
- More than 80% of the leadership group within retail at BOQ has been refreshed in the last 12 months with strong talented and experienced operators.
- I'm joined today by Darren Maier, who runs our franchise network – rare combination of a franchise specialist with banking experience.
- And Philippa Bartlett – started her career as a teller with BankWest before moving through to run their national network. Joined BOQ four months ago.

Notes:

BOQ Retail: what makes us different

- 1 Relationship based banking creates strong customer advocacy & sets us apart
- 2 Low risk, proven path will drive profitable growth
- 3 Maintaining a disciplined approach to growth, risk and margin
- 4 Strong leadership capability supporting execution



- We operate a relationship based model that is different to our competitors & that customers love.
- We are leveraging that service experience through new channels of growth – opening more doors for customers to deal with the bank; harvesting productivity and cost efficiencies by reform of the back office; and maintaining discipline on margin and risk.
- This is a well proven path that our competitors pursued many years ago and represents low hanging fruit for BOQ.

Source of competitive advantage

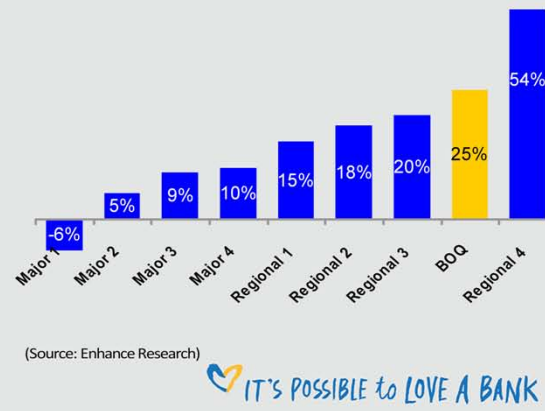
- ▶ Our Owner Managed Branch model delivers longevity of relationships and a high touch personal service experience...

- ▶ Turnover rates of <15% in OMBs compared to 35% in corporate branches



- ▶ ...which translates to a higher Net Promoter Score

- ▶ Higher customer propensity to remain loyal
- ▶ Drives strong referral business



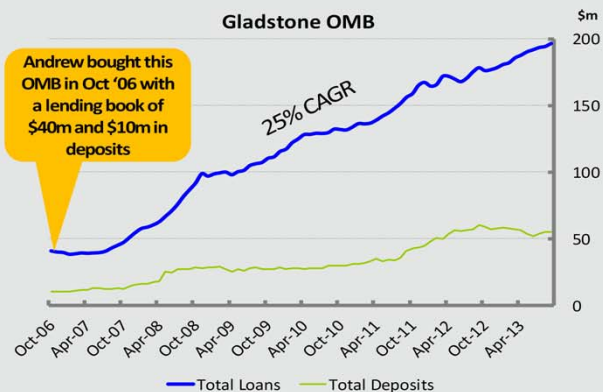
Notes:

- Around two-thirds of our network is operated by Owner Managers - experienced bankers who have bought the right to operate their branch:
 - Personally invested in the business and passionate.
 - Generally well established in their community.
 - Average tenure is seven years – contrast this with major bank branch manager at 6-12 months before being relocated.
 - Establish strong personal relationships with their customers - get to know their business and their objectives and with them for the long haul.
- This breeds strong advocacy and a source of customer referral - ultimately, one of the key drivers for better-than-peer NPS.

Case study: A strong community based Owner Manager

▶ Andrew Bauer - Owner Manager, Gladstone

- ▶ Well run family business with a growing, loyal customer base
- ▶ Pillar of regional community
- ▶ Strong growth in 7 years of branch ownership



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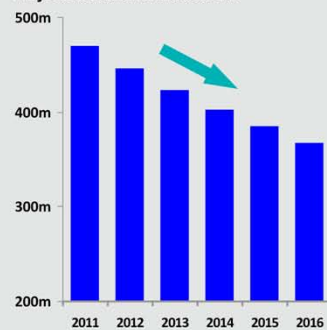
- There is no way to better illustrate this than through a case study.
- Andrew Bauer is the Owner Manager of two branches in Gladstone in Queensland. He is one of a number of very high performing owner managers.
- Bought his branch seven years ago - \$50m in footings. Grown at 25% CAGR during his ownership.
- Anyone who's been through Gladstone airport will have seen him - well known identity. Pillar of his community and sponsor of the local footy team.
- Our Owner Managers will continue to play a central role in our relationship based strategy. Darren will talk later about the evolution of the model to better align with the Bank's objectives in the current operating environment.

External influences shaping strategy

▶ Consumer preferences are evolving...

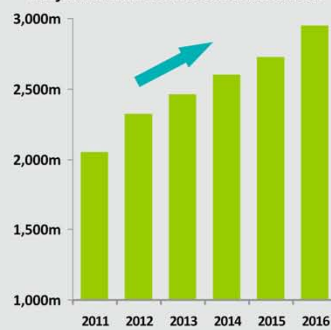
- ▶ Rapid growth in digital channels, particularly mobile
- ▶ Social peer review and insight
- ▶ Rise of the broker market

Projected branch transactions



(Source: Corporate Executive Board)

Projected online & mobile transactions



▶ BOQ's historic focus on branch distribution alone is inhibiting growth...

- ▶ Strong service and relationship proposition has not been fully leveraged
- ▶ Risks not harnessing a shift in consumer preference towards a broader range of channels

Housing loan book relative to branch numbers (\$m)



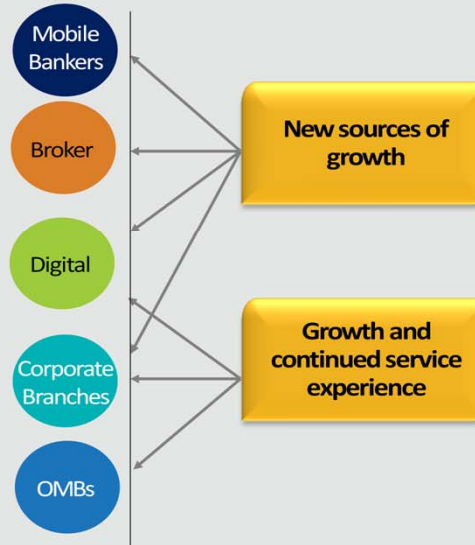
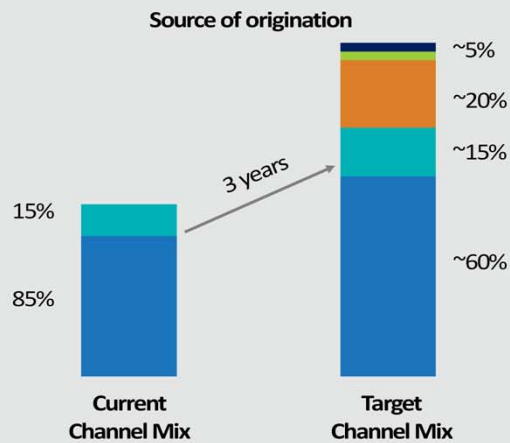
(Source: APRA)

Notes:

- Virtually every new origination is commenced online during the search phase. A key part of this is social peer review – how does the product stack up and what are people saying about service.
- Likewise, there has been rapid growth in the broker market – drivers being a desire to outsource and simplify complex financial decisions.
- That is not to say we are seeing the death of the branch. For BOQ's core segments – particularly suburban families – the branch channel remains a core part of the buying process for large life changing transactions and they like the face-to-face interaction and confidence of bricks and mortar for 'moments of truth'.

Opportunities for growth

- ▶ ...whereas a multi-channel offering is aligned to what customers want and creates significant upside for growth



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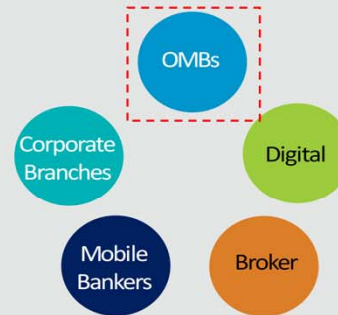
Notes:

- Key element of the strategy is fully leveraging our relationship based banking proposition through new channels of growth.
- We know once a customer joins us they will love our service & the experience.
- But we need to give new customers the opportunity to deal with us the way they want.
- This is the upside opportunity – tapping channels that BOQ has not played that represent more than 50% of the market.
- Not a high risk strategy – every other major bank and non-bank lenders are playing in these channels & pursued many of the initiatives years ago. For BOQ it is the low hanging fruit.

Notes:

BOQ Retail

Our OMB network



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- I joined BOQ 12 months ago after a decade and a half in franchising and retail.
- The thing I love about franchising is the people and as Matt mentioned earlier with Andrew in Gladstone, we have a lot of fabulous franchisees right around the country.
- Our proposition is best in market...in a transactional society, we offer real relationship banking.

Notes:



- Three key aspects of the Owner Manager Strategy:
 - Moving the franchise model from an historically retail lending centric business to being fully aligned to the strategy of BOQ both now and into the future.
 - Developing capability within our franchise group so we move from good bankers running businesses, to high quality business owners who excel at banking.
 - Proactively managing the network footprint by getting our branches in the best locations and being run by a group of highly engaged and capable Owner Managers.

OMBs

Balanced Scorecard to drive behaviours

Balanced Scorecard - OMB View

Branch:

Tier:

	Weighting	Actual	Budget	Result	Points
Retail Drawdowns (Housing & Personal)(\$)	120	\$ 2,525,967	\$ 1,928,291	131%	157
Business Drawdowns (\$)	120	\$ 820,000	\$ 426,011	192%	150
EF Drawdowns (\$)	75	\$ 466,885	\$ 214,325	218%	94
St Andrews New Premium (\$)	80	\$ 4,932	\$ 6,580	75%	60
Vero & Other Insurance Sales (#)	45	7	8	90%	41
Cards (#)	40	3	3	87%	35
FX (\$)	30	\$ 2,339	\$ 2,114	111%	30
Sticky Deposits - New Accounts (#)	120	19	27	70%	84
Sticky Deposits - New Accounts (Min \$ Average)	0	\$ 2,470		Yes	
Lending Growth (\$)	150	\$ 483,538	\$ 676,641	71%	107
Deposit Growth (\$)	50	\$ 4,598,777	\$ 472,020	974%	50
Arrears (%)	90	0.00%			90
Annual Reviews Outstanding (#)	80	0			80
Penalty Points					0
	1,000			Total Points	977

▶ **Initial step is Balanced Scorecard, which will link in to new commission model**

➡ **Fit 4 Biz Reward and Recognition Program:**

- ▶ Tiered program comparing like-for-like
- ▶ Full benchmarking of performance against peers
- ▶ Drives passion and performance in alignment with BOQ

➡ **New Commission Model aligned to:**

- ▶ Golden Sale – cross sell bonus
- ▶ Share of Profit to replace trail
- ▶ Implemented as part of new agreement

➡ **New Franchise Agreement:**

- ▶ Aligned to new Franchising Code of Conduct, expected in 2014, with phased implementation
- ▶ Embeds performance criteria with an increased 10 year term

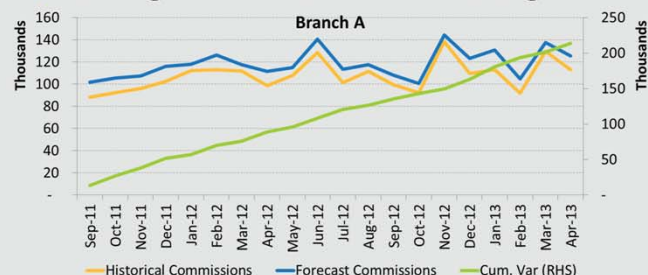
- This is an example of a real branch. The way the scorecard works is:
 - We determine the right KPIs to ensure alignment with the BOQ strategy.
 - We weight the KPIs based on relative return and importance.
 - Sitting over the top of the scorecard are a series of 'gate closers' where penalty points are incurred for a range of risk and compliance metrics. This way we ensure that all branches are participating and driving their business however within the right risk culture and framework.
 - We have flexibility to change the KPIs and weightings quarterly which effectively gives us the ability to redirect the business quickly.

Notes:

OMBs

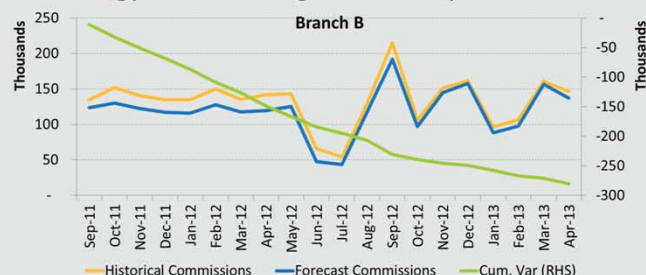
Impact of proposed commission structure changes

▶ Revising the commission model to align with the Bank's strategy and evolving consumer preferences



Branch A

- ▶ Would **benefit** under the proposed model
- ▶ Why:
 - ▶ Strong balanced book
 - ▶ History of strong cross sale performance



Branch B

- ▶ Would be **worse-off** under the proposed model
- ▶ Why:
 - ▶ Book heavily skewed to lending
 - ▶ Poor history of cross sale performance

For the Bank the commission model is rewarding the key financial and customer centric behaviours, for OMs there is clear direction on the Bank's requirements

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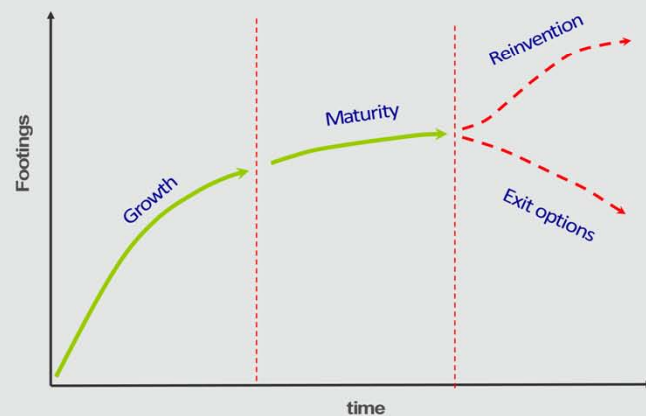
- Implementation will commence in 2014 and will be progressive.
- This analysis is retrospective - branches who on past data would be worse off, now understand the glide path to build the right structures in their businesses to bring themselves into alignment and ultimately be better off.
- From a BOQ point of view, the commission modelling is a zero sum game. Any increase in commissions payments will be driven by a lift in performance with increased commission costs remaining within BOQ's cost to income goals.

Notes:

OMBs

Actively managing the franchise lifecycle

With a number of OMBs reaching the “mature” stage of their lifecycle, they must reinvent and grow, or explore exit options



Managing the franchise lifecycle

- ▶ Critically assessing renewal and non renewal
- ▶ Moving from 5 to 10 year agreement with strong performance caveats
- ▶ Continuity of customer relationships through longer tenure

Contract Management Process

- ▶ Actively managing poor performers – 18 over the last 12 months

Leveraging off a strong corporate network

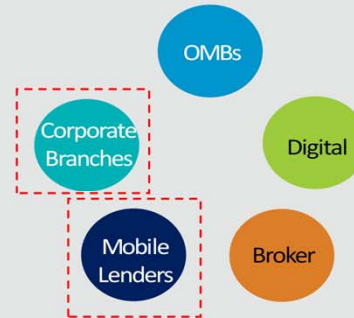
- ▶ Training ground and pipeline of future Owner Managers

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- Our average tenure is currently seven years.
- Moving from a five year to a 10 year term gives those Owner Managers who we partner with the opportunity to further deepen relationships with existing and new customers.
- 18 Owner Managers exited over the last 12 months. In my experience most national retail distribution has a tail of circa 10% so managing 18 over the year is about right for industry standards.
- To balance this we have also in the last year brought in 12 new Owner Managers.
- Most good franchises have a strong corporate network and so we are heavily invested in the corporate strategy as well.

BOQ Retail

Our corporate branch network & mobile lenders



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Notes:

- Corporate Network has not traditionally been in great shape. Three reasons:
 - Previously Corporate network played role of failed franchisee takebacks. Usually in poor locations with low footfall and profitability.
 - Internal and market perception that every branch was ultimately for sale to prospective franchisees. Drove underinvestment in our Corporate network and difficulty in attracting and retaining talent.
 - Combination of two previous issues led to a materially underdeveloped sales culture and process.

Strategy & structure to drive productivity and performance

1. Right people, right roles, right rewards

- ▶ Branch staff restructure, all personnel to be migrated to customer facing / sales roles
- ▶ Implementation of Workforce Planning model to improve productivity
- ▶ Incentive program aligned to high value activity and branch profitability

2. Equipping our people for success

- ▶ Best practice sales management practices and disciplines being implemented
- ▶ Sales and technical training for all staff
- ▶ Intensive Leadership Capability program execution underway

3. Future focused distribution: Lovable design, right locations

- ▶ Targeted branch location strategy
- ▶ Implement branch redesign pilots
- ▶ Low cost Mobile Banking channel introduced

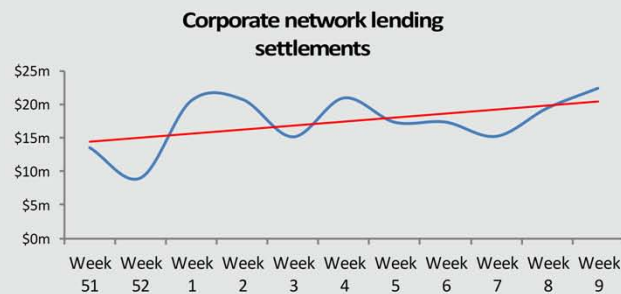
Notes:

- So, what is our strategy and how are we addressing the issues?
 - Firstly; firm focus on getting the right people into the right roles and motivating them for success.
 - Refreshed leadership team – seasoned bankers with experience in change management.
 - Restructured branch personnel to reduce non customer facing roles and reinvest into revenue generating roles including Mobile Lenders.
 - Implemented performance management and reward structures to motivate resources for success.

Significant potential upside

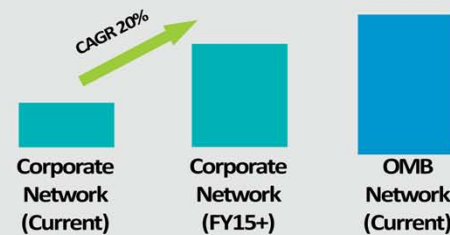
▶ Performance green shoots are positive

- ▶ Corporate network strategy execution commenced in September
- ▶ Early signs of improvement are evident in settlement performance through early financial year 2013



- ▶ Corporate branches have historically operated at c.30% of our OMBs settlement performance
- ▶ Opportunity to drive performance towards network average – creating significant upside

Avg annual settlements per branch



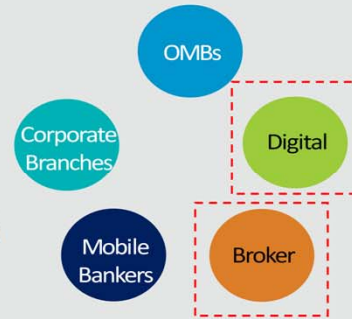
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Notes:

- Significant upside for the Corporate business.
- With a focus to increase performance to 75% of our franchise operation relative to branch numbers within three years, a disciplined approach to executing our strategy will be critical.
- While strategy execution has only just begun, early signs of success are evident. Application volumes have improved by 20% in the last month and run rates continue to improve week on week.
- The one strategic advantage that the BOQ business has, which I have never witnessed before in my 17 years of Banking, is the relationship our customers have with our staff. Rarely do I do a branch visit where a customer does not proactively take the opportunity to give me positive feedback about particular staff members.

BOQ Retail

Our mortgage broker, digital and direct channels



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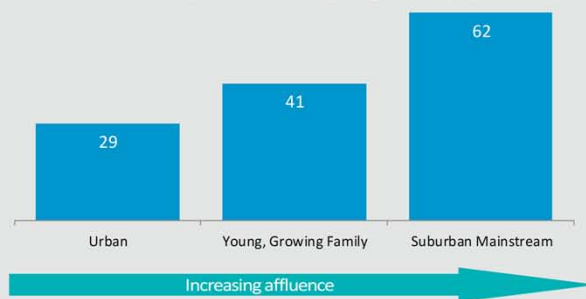
Broker

Broker channel: significant source of potential growth

► Rise of the broker market

- Brokers account for over 40% of new mortgage volumes
- Particularly valued by more affluent consumers

Broker preference by segment (%)



Source: Fujitsu Australia consumer survey data, JP Morgan. Percent of respondents who "have used" or "will use" a broker as their preferred channel

► There are compelling reasons for BOQ to enter the mortgage broker market

- A low fixed cost channel to drive geographic & demographic diversity for BOQ
- Every dollar settled represents growth – no legacy book or run off
- BOQ is well placed to deliver a competitive alternative to the major banks

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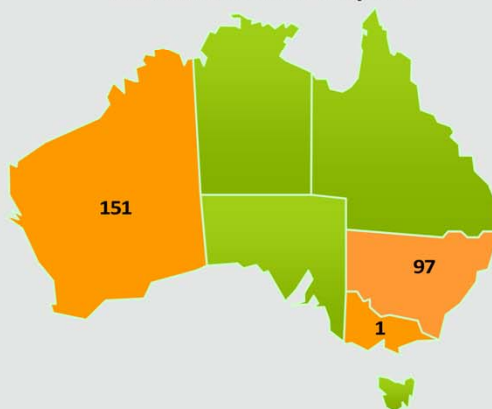
- So where else is the growth going to come from?
- Size of broker market growing.
- Valued by consumers – outsource & simplify a complex problem.
- Why we are different to the majors:
 - Know that the broker groups are keen to diversify flows.
 - We are independent.
 - Consumer preference for an alternative outside the majors.

Broker

Geographic expansion underway

- ▶ Key learnings from pilot are being applied to support roll out

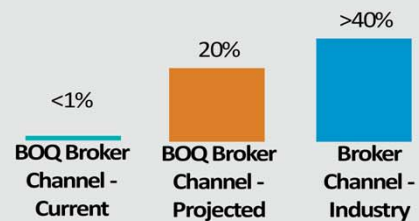
BOQ accredited brokers by State



- ▶ A national roll out of the broker channel creates significant upside

- ▶ Focus is building out our presence in WA, NSW and Victoria
- ▶ BDMs now on the ground in each key market
- ▶ Natural share will build over time

Broker Channel mix – Mortgage growth



(Source: MFAA)

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BOQ

- Broker acceptance has been positive – over 240 brokers accredited in the first stage.
- Lack of established BDM team has inhibited consistent flows.
- Increased competition across commission and product - new product launched & continuing to review commissions.
- Channel conflict has been actively managed.
- As a result, we are taking the pilot learnings to other states.

Digital

Digital: Getting the basics right

- ▶ **Digital channels underpin our multi-channel strategy**
 - ▶ Fastest growing channel
 - ▶ Most originations commence search online
 - ▶ Efficient service channel
 - ▶ Source of customer insight
- ▶ **BOQ is adopting a phased approach**
 - ▶ Initial refresh of digital assets
 - ▶ Renewed focus on online sales
 - ▶ Review of key platforms over time
 - ▶ Partnering strategy to support innovation at the fringe



- The digital channel is now totally integrated into a customer's experience.
- Phased approach.
- Renewed focus on online sales.
- Partnering with boutique technology houses & other providers to bring product to market.

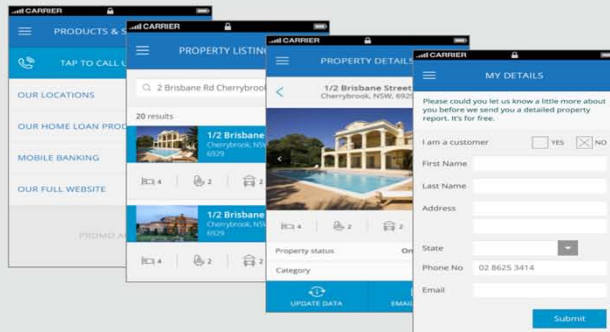
Notes:

Digital

Innovating at the fringe

▶ Case Study: BOQ Property Finder app

- ▶ Developed in partnership with RP Data
- ▶ Enables customers to search property listings & download property valuations & reports
- ▶ Engages current and prospective customers active in the property market



▶ Case Study: 'BOQ Property Ladder' Social Media project

- ▶ Low cost opportunity to engage & acquire new customers through the social media channel



- We've just launched two new online services this week
- The Property Finder app has been developed with RP Data and enables customers to search property listings and download valuations & reports
- The BOQ Property Ladder is a social media initiative which will allow us to engage and acquire new customers through this channel

The Retail lens on BOQ's strategic pillars

Multi channel optimisation

- ▶ Relationship banking differentiation
- ▶ Leverage through new channels

Risk/return balance

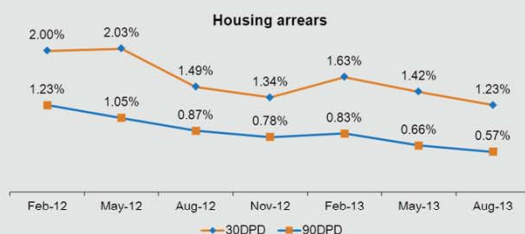
- ▶ Maintain risk disciplines
- ▶ Greater share of wallet

Operational excellence

- ▶ Simplified product suite
- ▶ Back office digitisation

Talent, capability & culture

- ▶ Focused retail management team
- ▶ Expertise aligned to channel capability



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Notes:

- I've talked a lot about channels of distribution but there are three other important pillars of our strategy:
 - Risk / return balance - changes to operating model, risk appetite, credit and collections implemented over last 12 months. This has driven significant reduction in housing arrears and impairment charges.
 - In terms of operational excellence, opportunity to harvest productivity and cost efficiency gains. We continue to simplify our product suite and digitise our back office with a significant program of work underway. The end state is a fully digitised loan origination and processing platform.
 - Finally, talent capability & culture – we have no shortage of talent attracted to BOQ and we're focused on building channel expertise and a strong performance culture.

Notes:

BOQ Retail strategy: summary

- 1 Relationship based banking creates strong customer advocacy & sets us apart
- 2 Low risk, proven path will drive profitable growth
- 3 Maintaining a disciplined approach to growth, risk and margin
- 4 Strong leadership capability supporting execution

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- We operate a relationship based model that is different to our competitors and that customers love.
- We are leveraging that service experience through new channels of growth – opening more doors for customers to deal with the bank because they know they'll love the experience once they're here.
- Well proven path that our competitors pursued many years ago.

Notes:

Business Banking, Agribusiness & Financial Markets

Brendan White

Group Executive, Business Banking, Agribusiness & Financial Markets

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14 November 2013

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Strategic mandate

- 1 Re-invigorate the Business Bank as an integrated operating model
- 2 Establish an Agribusiness footprint
- 3 Build Financial Markets capability to provide risk management solutions to our clients



- My mandate when joining BOQ was simple: reinvigorate the Business Bank; establish an Agribusiness footprint; and build a financial markets capability.
- I was attracted by the opportunity to work with a great team and get back to banking the way I think it should be done – an emphasis on relationships.

Strategic objectives

Diversification

- ▶ Diversify business and revenue streams by product, geography, industry sector and asset class
- ▶ Build national Business Banking capability
- ▶ Right people, right roles, right regions

Profitable growth

- ▶ Focus on margin management and achieving minimum return hurdles
- ▶ Improved credit quality, pricing for risk
- ▶ Cross sell into higher return products such as Financial Markets, Equipment/Trade/Debtor Finance and Transaction Banking
- ▶ Exploiting attractive niche markets

Competitive advantage

- ▶ Relationship bank vs. transaction bank
- ▶ Unique OMB operating model – a small business lender at the branch all day everyday
- ▶ Small, flexible, agile and responsive



- In achieving our goals, there are three key objectives as we expand:
 - Diversifying by product, geography, industry and asset class.
 - Heavy focus on profitable growth and cross sell.
 - Understanding and exploiting our competitive advantage – in our case a relationship model which attracts high quality staff and customers.
- We aim to achieve these objectives through each of our Business units: Business Banking, BOQ Private, Corporate Banking, Property Finance, Agribusiness and Financial Markets.

Operating model

Lending type

Business Banking <\$1m



Who services the customer

OMBs and Corporate Branches - small business lender at the branch all day everyday

Business Banking \$1-5m



Branches for those that are accredited
Referred to Business Banker for non-accredited branches

Corporate Banking >\$5m



Referred to Corporate Bankers

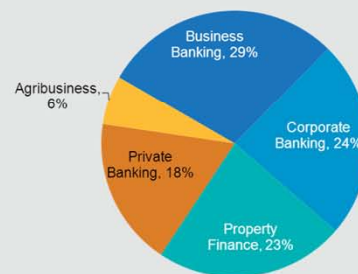
Specialised lending



Property Finance specialists
Agribusiness specialists
BOQ Private

Financial Markets and other cross sell

Business & Agri portfolio¹
August 2013



1. Note: Excludes branch-managed lending

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- Clear delineation of responsibilities between branches and business banking.
- Branches need to be accredited to originate Commercial lending above \$1m – introduced earlier this year.
- Specialised capability in Agri, Property Finance and BOQ Private.
- Focus on cross sell of financial markets, leasing and transaction banking across all customers.

Business Banking profile

SME
 <\$1m lending

- ▶ Introduced commercial lending accreditation, tiering and segmentation model
- ▶ Owner Managers are 'Small Business Talking to Small Business'
- ▶ 127 branches accredited <\$1M
- ▶ 80 branches < \$2.5M
- ▶ 50 branches <\$5M

Business Banking
 <\$5m lending

- ▶ Commercial lending specialist support to branch network through tiering and segmentation referral model
- ▶ Stand alone client acquisition and business development
- ▶ 32 Business Banking staff: Townsville, Mackay, Sunshine Coast, two Brisbane centres, Gold Coast, Sydney, Melbourne and Perth

**AUSTRALIA'S
 NO. 1 BANK**
 for business banking satisfaction
 5 years running

To be ranked number 1 again in comparison to some of the major players is something we're really proud of. Being independent, we're more committed to helping you than the other banks might be.



The East & Partners Business Banking Index is an independent index of business banking satisfaction with this bank. After interviewing 1,000+ business owners in your East & Partners branch this index will be again.

IT'S POSSIBLE to LOVE A BANK BOQ

IT'S POSSIBLE to LOVE A BANK BOQ 5

- Tiered approach to commercial lending – SME lending <\$1m managed through the branch network, leveraging the natural fit of the OMB model.
- Accreditation for branches to lend over \$1m, otherwise referred to Commercial lending specialists.
- BOQ has ranked #1 for Business Banking customers satisfaction for 5 years running according to the East & Partners Business Banking Index.

Corporate Banking profile

Target markets

- ▶ Targeting corporate clients seeking relationship service and closer proximity to decision makers

Distribution model

- ▶ All commercial lending >\$5M referred to the Corporate Banking team
- ▶ Established footprint with 20 staff nationally: Brisbane, Sydney, Melbourne and Perth

Case study

Corporate Banking client

- ▶ **Industry:** Manufacturing
- ▶ Company sought to refinance away from their current bank and provide further arrangements for growth plans.
- ▶ **Cross sell BOQ Finance:** Financed the offshore purchase of high tech machinery.
- ▶ **Why they've come to BOQ:** the company was disillusioned with their current Big 4 bank. BOQ took the time to understand their business, provided access to key decision makers and product specialist.

- All lending above \$5m referred to the Corporate team.
- Expanding presence nationally with high calibre relationship bankers.
- Genuine competitor with a compelling value proposition – proximity to decision makers and close relationships providing superior service.

Property Finance profile

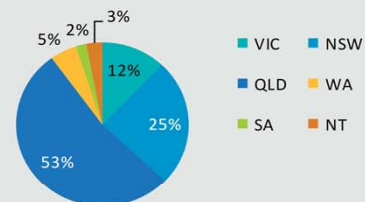
Target markets

- ▶ Well balanced portfolio: investment, development, residential, retail and commercial/industrial
- ▶ \$2.1Bn of business declined by deal teams in previous 12 months

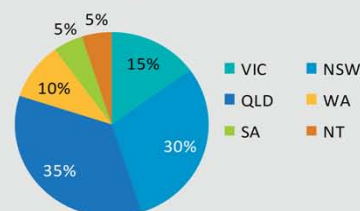
Distribution model

- ▶ All >\$2.5m property lending to be referred to property specialists
- ▶ National specialist footprint: 10 staff nationally

Current Geographic Split



2016 Target Geographic Split



IT'S POSSIBLE to LOVE A BANK  7

- Targeted strategy to grow high quality property assets >\$2.5m
- Looking to diversify the portfolio away from QLD

Agribusiness profile

Target markets

- ▶ Focusing on farm gate and post farm gate agribusinesses with diversified/mixed farming assets - predominately domestic cattle, cropping, cotton, and sheep/wool
- ▶ Currently \$250m of commercial lending/services with approximately 15 clients
- ▶ \$1.2Bn of business has been declined in last 9 months

Distribution model

- ▶ Heavy focus on cross sell - leasing, financial markets and deposits
- ▶ Significant uplift in production anticipated over next 25-30 years as demand for food increases globally, particularly in Asia



IT'S POSSIBLE to LOVE A BANK 

- Selective strategy to target generational farming families who have become disenfranchised with the major banks.
- Heavy focus on cross sell of leasing, financial markets and deposit products.

Financial Markets profile

Target markets

- ▶ Provide risk management solutions to existing and prospective clients
- ▶ Develop FX and Trade Finance online capability as a lead product to enhance client acquisition, targeting small to medium importers and exporters
- ▶ Not targeting top tier corporate or institutional sector

Distribution model

- ▶ Product development to align with client needs:
 - ▶ Interest rate swaps, interest rate options, FX - spot, forward and options
- ▶ 14 sales specialists nationally focused on understanding client needs

- Expanding the risk management offering for our customers.
- Ability to use as a lead product for broader business banking relationship.

Well positioned for growth

Multi channel optimisation

- ▶ Re-invigorated Business Bank through diversification, defined segmentation and national footprint
- ▶ Established niche industry sector expertise nationally in Agribusiness and Property Finance
- ▶ Leverage the unique operating model of the Owner Manager network

Risk/return balance

- ▶ Focus on profitable growth through high margin cross sell opportunities and improved collaboration
- ▶ Increased focus on margin management, appropriate pricing for risk, asset quality and achieving return hurdles
- ▶ Risk and compliance culture focused on improving asset quality, better data integrity

Operational excellence

- ▶ Improved operational efficiency and sales effectiveness through increased focus on process excellence
- ▶ The provision of an automated end to end commercial lending process
- ▶ Streamline documentation to provide a user friendly client experience

Talent, capability & culture

- ▶ Attract great people who love relationship banking and build a risk/reward culture
- ▶ Focus on further developing talent and capability across the broader business
- ▶ Increased focus on building a more diverse workforce

IT'S POSSIBLE to LOVE A BANK  10

- Strategy aligns with the group's broader four pillar strategy.
- Risk-Return balance is an area of heavy focus – disciplined approach to growth.

Hugh Lander
CEO, BOQ Finance

Hugh Lander
CEO, BOQ Finance

BOQ Strategy Update
14 November 2013

Bank of Queensland Limited ABN 32 009 656 740. AFSL No 244616.



Notes:

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Notes:

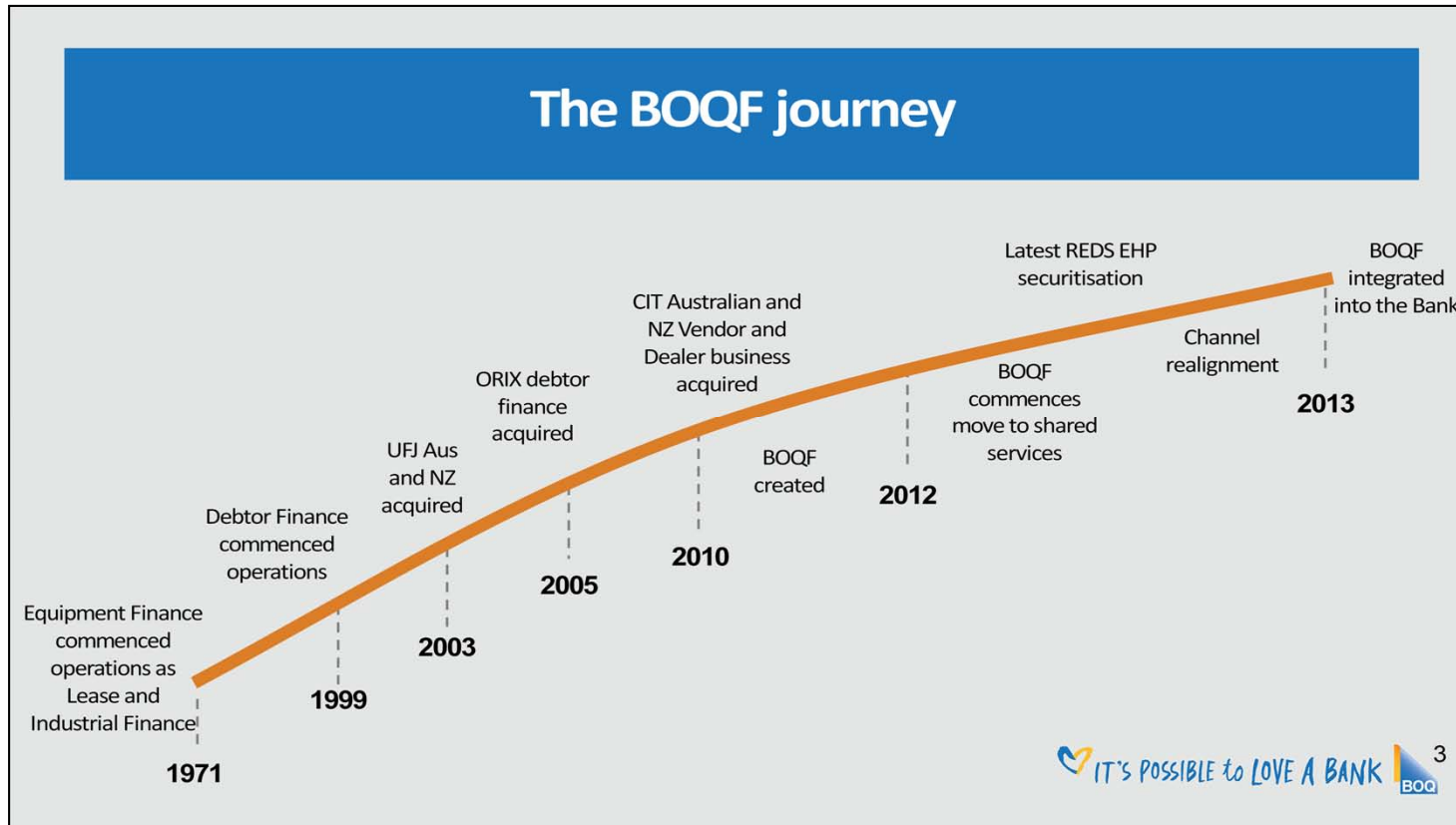
BOQ Finance: what makes us different

- 1 Specialist industry and asset knowledge – delivering strong portfolio returns
- 2 Diverse origination channels driven by relationship/partnership approach
- 3 Capability to capture full supply chain funding opportunities
- 4 Untapped potential in BOQ's proprietary distribution channels that can be realised



- I've been CEO of BOQ Finance since Sept 2012 and involved in the industry since the early 90s.
- While asset finance and leasing are just another form of lending it is different to general commercial lending – need an understanding of not only the capacity to repay but the industry and assets that are subject to financing – be they motor cycles, technology, book debts, trucks or trailers.
- We have dedicated industry and asset specialists and leverage this to provide outstanding service – can't and won't compete simply on price. East and Partners 2013 survey showed BOQ ranked in the top three for nine out of 10 customer satisfaction categories.
- Mix of products unique – rather than an adjunct to core lending activities which is often the case in major banks, offer products individually relevant to a customer and also vertically integrated to capture funding for a complete asset supply chain.
- Operate through both brokers, manufacturers, distributors and other finance originators as well as proprietary channels, with the latter an untapped opportunity.

Notes:



- Started in 1971 so long track record in this industry. Built through a number of acquisitions, with the CIT acquisition in June 2010 transforming our size and scale.
- At the start of FY13 commenced integration of our back and middle offices including settlements, customer service, collections, finance, IT and HR. Successful in reducing our costs as well as improving scale and operational oversight.
- BOQF is now very much integrated into the Bank – no longer a separate business unit.
- With the bulk of the shared services transition now complete, FY14 is all about focus - improving customer alignment, particularly in our Retail and Business Banking network, while selectively growing parts of our third party business.

Notes:

BOQF lines of business

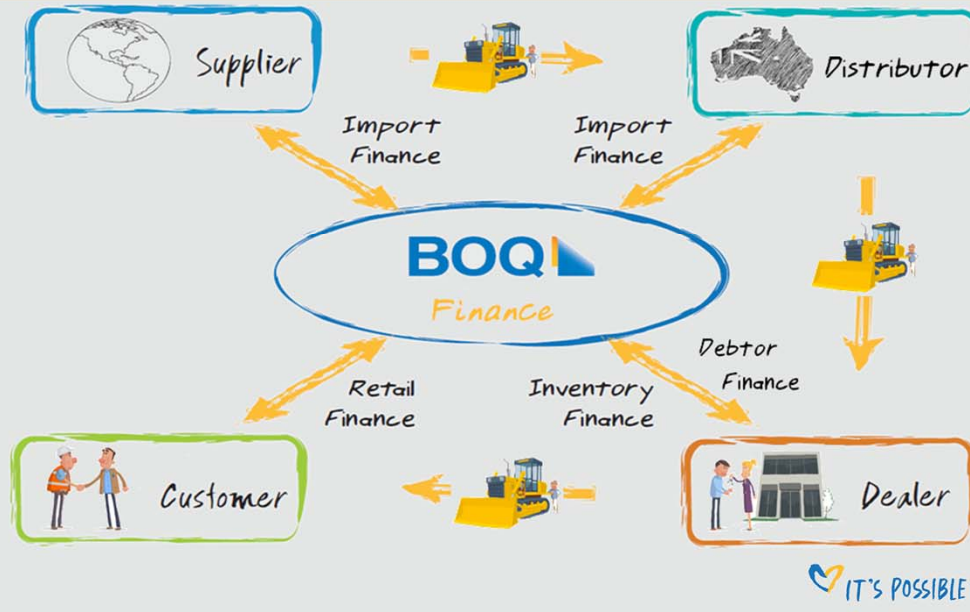
	Equipment Finance	Debtor Finance	Vendor Finance	Dealer Finance	BOQ Finance
Origination Channels	Broker 80% BOQ 20%	Branch / Business / Corporate Banking	Manufacturers, Resellers, Fleet Lessors, Finance Companies, Asset Managers	Distributors 65% Manufacturers 35%	Multi channel origination
Total Loans Under Management (Aug 13)	\$2.7bn	\$0.2bn	\$0.6bn	\$0.2bn	\$3.7bn
Products	Commercial only SSA (Chattel Mortgage) Leasing Hire Purchase	Invoice discounting and factoring	Operating Lease Novated Lease Principal and agency agreements Limited Recourse Loans	Commercial and consumer Floor Plan Loans Leases	Capability to capture full supply chain funding
Target Segments	SME, Transport, Construction, Manufacturing	SME, Labour Hire, Transport	Fleet, IT, Material Handling	Motorbikes, Trucks, Agriculture	A diversified set of risks
# of End Customers	63,000	400	5,000	17,000	85,400
Relative ROE Contribution	Medium	High	High	Medium	Medium-High
Key Performance Drivers	TLUM, Portfolio Margin, Bad debts	Turnover, Fees, Diversity of Risks	Portfolio Quality, Residual Booked, Residual Realisation	Scale, Fees, Bad debts	Relationship model with specialist industry and asset knowledge

IT'S POSSIBLE to LOVE A BANK BOQ 4

- Four core product offerings – general equipment finance, vendor, dealer finance and debtor finance.
- All are reliant upon an understanding of assets and markets.
- Based upon industry data our market share of commercial asset finance (excluding debtor and dealer finance) is 4%. When big ticket asset financing is excluded, our share of SME through to large corporate is closer to 10%. Many of our programs are either undisclosed or branded with the manufacturers marks, so our profile is often hidden.

Notes:

Opportunities to capture full supply chain funding



- There are multiple asset and cash flow funding solutions offered by BOQF. This variability of offering allows BOQ to leverage into new customers and the asset life cycle to meet distribution and end customer needs.
- This gives BOQ multiple revenue opportunities on the same asset – as per the example on this slide of a piece of equipment manufactured offshore, imported by a distributor, rolled out to a regional dealer before ending up with the end user – ideally under lease.
- This allows us to generate NIM and fee income at multiple stages of the asset life cycle – and there is also potential to sell more traditional bank products from home loans to merchant facilities.

Making a difference with Business Banking

- ▶ Large Agri client opportunity
- ▶ Small Equipment Finance line approved in January 2013 as part of larger bank facilities
- ▶ Last minute opportunity to fund \$7m corporate jet
- ▶ Approved in 48 hours, documented and settled within 20 days



"You have no idea how much relief I am feeling right now. I can finally get on with fattening cattle and growing cotton"

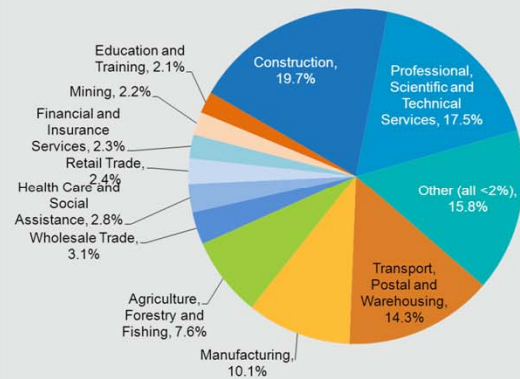
IT'S POSSIBLE to LOVE A BANK  6

- This is an example of how our flexibility and speed helps us win business.
- The lead came from our Agri area – needed a quick turnaround to secure the deal.
- We were able to give the customer certainty very quickly – while our competitor was still working out how to get the credit approved by their overseas parent.

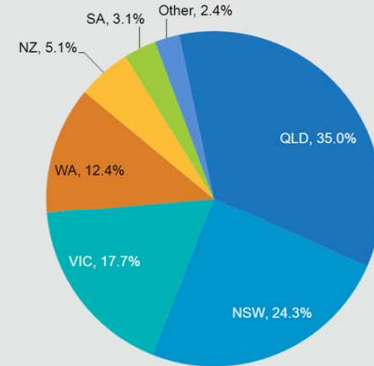
Notes:

Portfolio overview

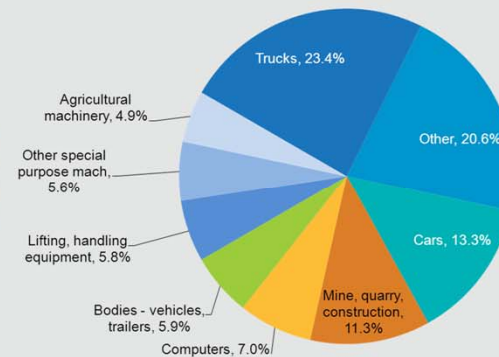
Industry Split – Aug 13



State Split – Aug 13



Asset Split – Aug 13



- ▶ Broad industry, asset and geographic mix- no material concentrations
- ▶ Largest Industry exposure construction – under 20%
- ▶ Largest single customer exposure <1%
- ▶ Top 20 customer exposures < 6%

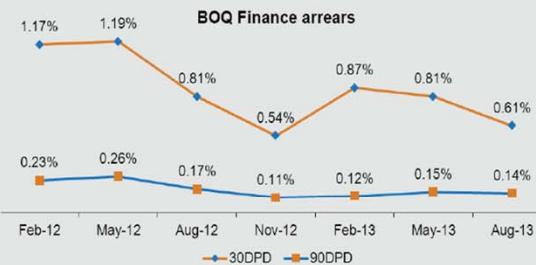
IT'S POSSIBLE to LOVE A BANK 

- One of the most important elements of a healthy finance business is having a well-diversified portfolio - while the rewards are typically in excess of other bank provided lending facilities, the risk also can be higher.
- The BOQF book is well diversified across customer, geographic and asset categories.
- Construction the largest industry group at just under 20%. Compared to the industry we are underweight on commodity assets such as cars.
- Our largest single customer exposure represents <1% of the portfolio while our top 20 customers in aggregate represent less than 6% of total outstandings.

Portfolio performance

Portfolio metrics	FY13	FY12
Portfolio size (\$b)	3.7	3.7
Impaired (\$m)	19.4	26.3
Impaired %	0.52%	0.71%
BDD expense (\$m)	26.5	35.2
BDD / GLA (bps)	72	95
Specific provisions (\$m)	12.4	17.6
Collective provisions (\$m)	25.3	26.9
Total provision (\$m)	37.7	44.5
Total provision coverage	194%	169%

- ▶ Steady improvement in book quality
- ▶ Lower Bad Debt expenses
- ▶ Continued improvement in Equipment Finance arrears and vintage losses
- ▶ Reduction in impaired loans and provisions
- ▶ Target BDD/ GLA 70bps



IT'S POSSIBLE to LOVE A BANK 

Notes:

- While the graph on the right hand side only shows the 30 and 90 day series since Feb 2012, the arrears position is materially improved from Feb 2011 when 30 day arrears were running at 3% and 90 day arrears at 1.24%.
- Regular reviews of risk appetite and process improvements, combined with a deep industry and asset understanding, have resulted in lower bad debt expense - now closer to our 70bps target - and reductions in our specific and collective provisioning.

Notes:

Strategy for growth

Current market conditions

- ▶ Demand constrained, but confidence improving
- ▶ Competition increasing, brokers remain a force
- ▶ Regulation stable (eg FBT changes off the table)

Proprietary channel development

- ▶ Wider and deeper BOQF product distribution into the retail branch network - "One car per branch per month"
- ▶ Supporting BOQ's growing Business Bank with a key lead in product - "An EF deal with every Business Banking client"
- ▶ Process improvements and cross sell debtor finance and other bank products to existing BOQF customer base

Third party channel expansion

- ▶ Grow the broker segment in line with system by pushing relationship approach and by being easy to do business with
- ▶ Focus on wholesale funding programs with quality originator/managers
- ▶ Leverage Dealer Finance (floor plan) into selected non-motor vehicle asset classes



9

- In terms of current market conditions, asset finance demand has been declining for some time, with fragile business confidence and strong competition.
- There are some bright spots emerging, in particular construction.
- In our Retail and Business Banking channels there is significant untapped potential that won't put us in direct competition with our other channels or put further pressure on margins.
- The broker channel remains a key distribution channel with local credit decisioning a feature that continues to set us apart.

Notes:

Summary

- 1 BOQF – relationship based asset finance specialist
- 2 Diversified sources of new business; diversified portfolio
- 3 Integrated in the Bank – giving a scalable platform for growth
- 4 Key product capability for Retail and Business Bank that can be better leveraged
- 5 Significant third party distribution capability that will be selectively grown



- BOQ Finance is a relationship based asset finance specialist.
- We have a diversified asset portfolio which has come from a diverse range of new business sources.
- We've now been integrated into the Bank which gives is a scalable platform for growth.
- We provide a key product capability to BOQ's proprietary channels of Retail and Business Banking – both of which represent channels we have great potential to gain further penetration.
- Our existing and significant third party channels will also be selectively grown.



Virgin Money Australia

Brian Bissaker
CEO, Virgin Money Australia

14 November 2013

Notes:

Virgin Money Australia: key points

1. **Brand appeal** is proven in historical customer acquisition and continues to **hold positive value** in consumer research
2. **Under BOQ ownership**, manufacturer and distributor's **interests are aligned**, with **different target markets** allowing the combined group to expand its customer acquisition capacity
3. Virgin Money brings to BOQ **expertise in marketing and acquisition** in the **direct and digital** channel
4. Providing **a full banking/wealth** offering in a **differentiated**, targeted way



- Virgin Money brand has been under-leveraged in Australia.
- The first time the business and the major product manufacturers interests have been fully aligned.
- Virgin Money brings online acquisition capability to BOQ Group.
- Virgin Money is differentiated by:
 - Brand.
 - No legacy gives freedom of pricing and product design.
 - No channel conflict.
 - Small, nimble business allowing speed and alignment in decision making with no silos.
 - Substantial online marketing and sales expertise.

Notes:

VMA history

Notes:

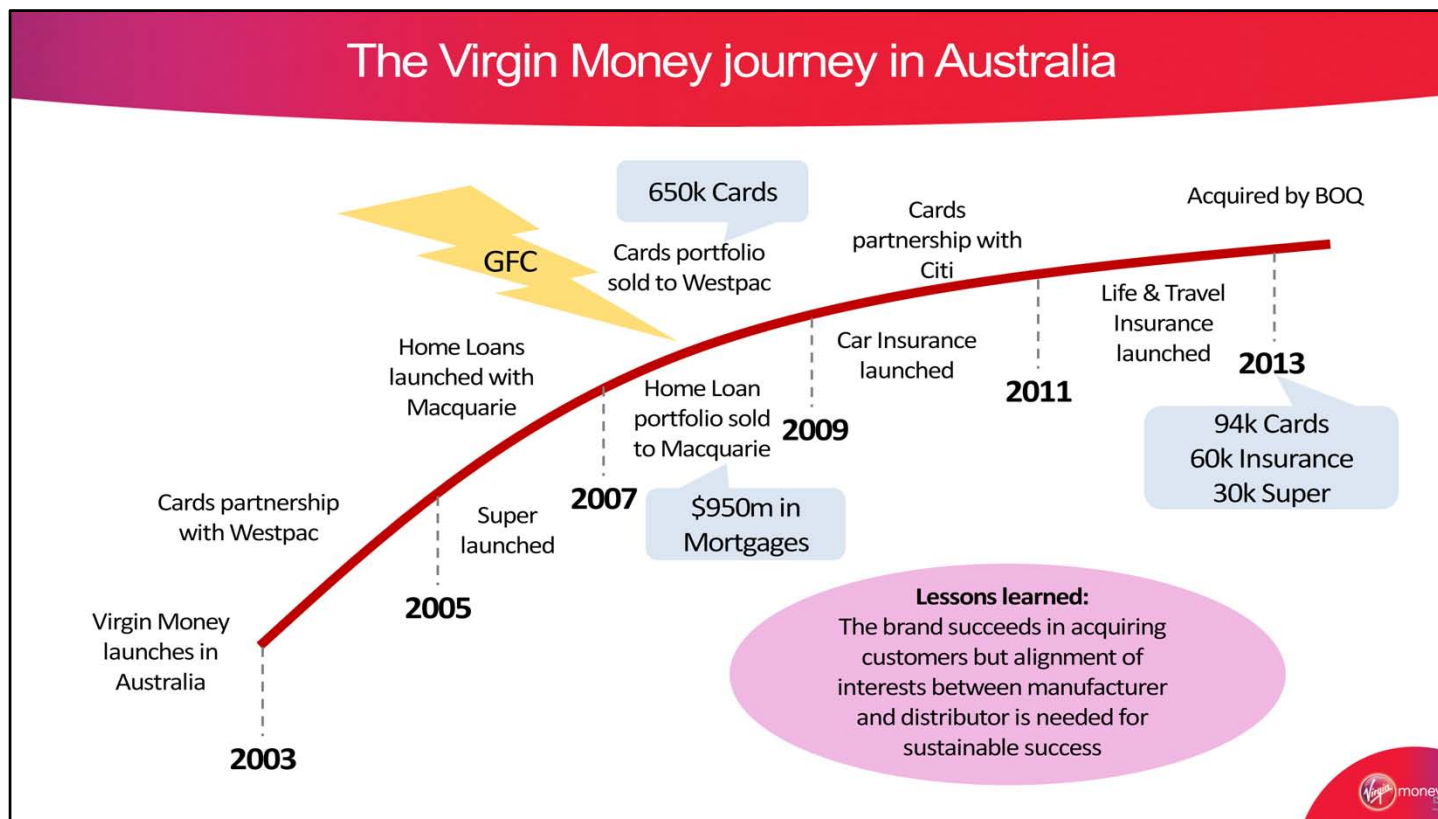
Virgin Money embraces the Virgin Group brand purpose

**DON'T JUST
PLAY
THE GAME,
CHANGE IT FOR
GOOD**



Notes:

- The Virgin brand has a tradition of disruption.
- The brand allows (indeed compels) the holder to do things differently.
- The current brand purpose also captures the goal of “doing good” for the community.



Notes:

- The original cards business showed very strong customer acquisition. 650,000 customers within three years – but interests of all parties were not aligned.
- Mortgage acquisition was also strong but securitisation model could not be funded through the GFC.
- Lessons learned are that pulling power of the brand needs to be matched with strong alignment from manufacturing parties and sustainable business models.

A presentation slide with a vibrant pink and red background featuring overlapping circular patterns. The text "VMA today" is displayed in a bold, white, sans-serif font on the left side. A small number "6" is located in the bottom right corner of the slide.

VMA today

Notes:

Current business profile

ONLINE AND DIRECT DISTRIBUTION OF 3RD PARTY PRODUCTS... **184,000** **customers.....**

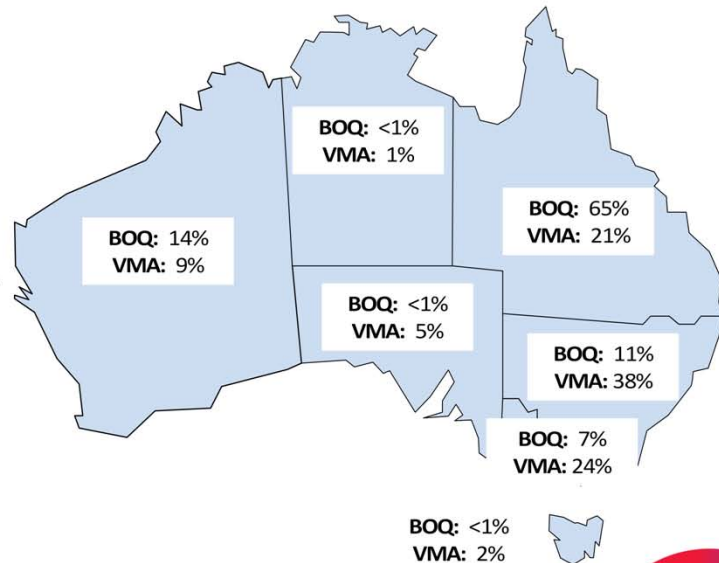
Single product distribution approach with
separate systems and customer interfaces
(~1 product per customer).....

REVENUE STREAM IN THE FORM OF EITHER COMMISSION PAYMENTS OR PROFIT SHARE.....

Core competency in marketing and direct
customer acquisition

Existing business on track to become EPS accretive
during second full year of ownership

CUSTOMERS BY STATE



Notes:

- Good geographic diversity of customer base enhances BOQ group.
- Core competency in marketing and direct customer acquisition brings new expertise to BOQ.
- Potential cross-sell upside if it is well executed.
- VMA existing business on track to being EPS accretive in second full year of ownership.

Current product offering

	Insurance	Investments: Super	Cards
Key Facts	\$25m Gross Written Premium/ Inforce Premium 60k policies	\$475m Funds Under Management 30k members	\$320m Average Net Receivables 94k customers
Key Products & Partners	Car and Home & Contents Insurance Life and Income Protection Insurance Travel Insurance	- Industry first low fee life-stage tracking index fund - Currently being repositioned for "MySuper" reforms to include essentials and plus product	Virgin Australia Velocity Credit Cards - High Flyer Card and Flyer Card - Distribution and branding agreement with Virgin Australia and Velocity
	Key partners - Auto & General Insurance - Allianz Global Assistance - Tower Australia Ltd	Key Partners - Trust Company (Trustee) - Macquarie Investment Mgmt. Ltd. (Investment Manager) - Pillar Administration (Admin) - BNP Paribas (Custodian)	No-Annual Fee card Low rate Credit Card Key Partners - Citigroup - Visa - Virgin Australia



Notes:

- Existing business diversified across three core product groupings of insurance, superannuation and cards.
- 184,000 customers and growing.
- The superannuation business is 100% sold online. The product design is the original low-cost retail fund now copied by the major banks.

Brand is our key competitive advantage



BRAND AWARENESS

99% AWARENESS

PROMPTED

85% FAMILIARITY

KNOW AT LEAST A BIT ABOUT THE BRAND

49% CONSIDERATION

ONE I WOULD CONSIDER MORE THAN OR EQUALLY TO MOST OTHERS



BRAND AWARENESS



The Virgin Money brand is seen as an innovative, exciting, fun and providing value for money – not traits associated with traditional financial services providers

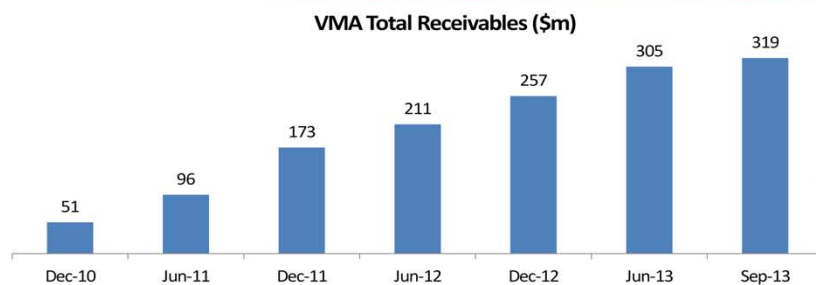
Source: Hall & Partners brand tracker, 2013



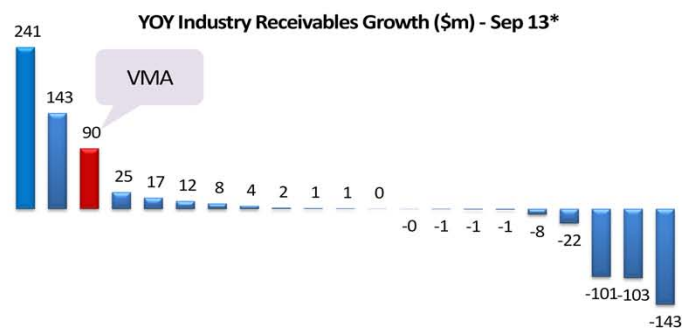
Notes:

- Virgin brand is the single biggest competitive advantage.
- Strong brand awareness nationally.
- Brand attributes and differentiated from the major banks.

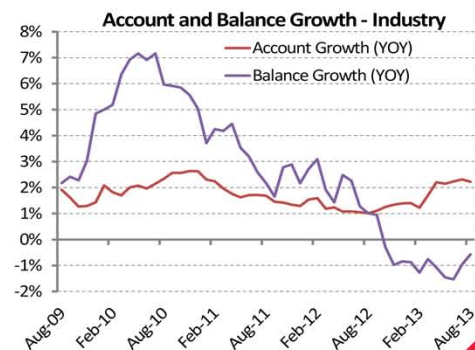
VMA credit card receivables overview



Despite challenges in acquisition volumes, VMA receivables have still demonstrated solid growth and have met plan to September 2013



Source: APRA. *Data excludes American Express.



Source: RBA

Notes:

- Credit Card market has negative annual growth.
- Virgin continues to punch above its weight in book growth.
- Proof point on ability of brand to execute in the online space.

VMA in the future

11

Notes:

Strategic approach

"Given the dominant market share of the major banks, and the attitudes that consumers hold towards them, there are market openings for financial services companies that are trusted and capture the hearts and minds of the consumer. Virgin Money has this potential..."

Virgin Money will compete at the relationship level. Everything we do from digital, to call centre, to product design, to physical presence will embody the vision of being the most trusted financial services brand by empowering consumers to understand and take action with their money.

It is a whole of business approach and one not encumbered with legacy products, services or profit pools. This will allow Virgin Money to develop a business model which is clearly differentiated from the major banks."

New Products

BOQ white-labelled loans & deposits to complement existing alliance product suite

Channels

Predominantly online with strong call centre (virtual banker) support, with use of brokers for home loans and flagship store concepts being explored

Service

Built around the premise of assisting customers to understand and optimise their banking/wealth relationship

Customer

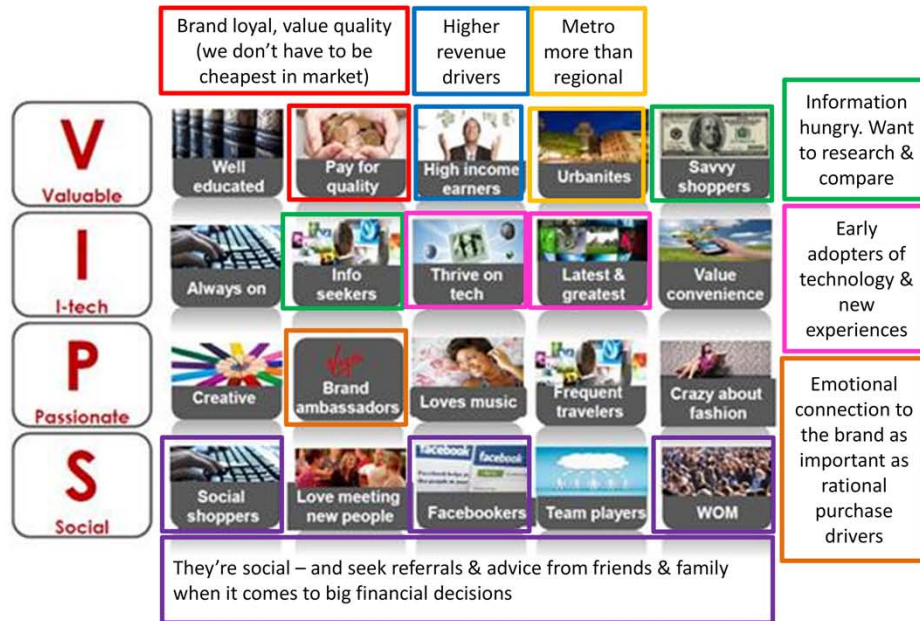
Different target market from BOQ, so no conflict



Notes:

- Success will be derived from developing a unique relationship with consumers off the back of the brand and customer service proposition.
- It is a whole of business model that is enabled through the nimbleness of the organisation, as well as a lack of silos and legacy product and profit pools.

Virgin target customers: attitudes more than demographics



Notes:

- Target market is 25 – 45 year olds by "attitude".
- Urban, educated, tech savvy professionals.
- Emotional connection to the brand as important as rational purchase.

VMA and BOQ are a complementary fit

BOQ and Virgin Money each have individual strengths the other party can leverage

- VMA provides BOQ with access to a challenger brand that appeals to customer segments that the BOQ brand would never reach
- BOQ's balance sheet and suite of banking products can be deployed through a proven customer acquisition engine
- BOQ's distribution footprint historically focussed on physical retail and QLD concentration, vs. VMA online and nationwide
- BOQ's lack of expertise in direct & digital channels addressed by VMA's core competency in marketing, online, digital & direct
- VMA brings a complimentary product footprint (eg direct life, superannuation) that BOQ can utilise to gain a higher share of wallet
- Ability for BOQ to leverage the Virgin culture and improve the customer experience



A combination stronger than sum of the parts

- A leader in a new way of banking, with a differentiated product & service proposition based on loyalty

Balance sheet growth



Geographic diversity



Customer acquisition

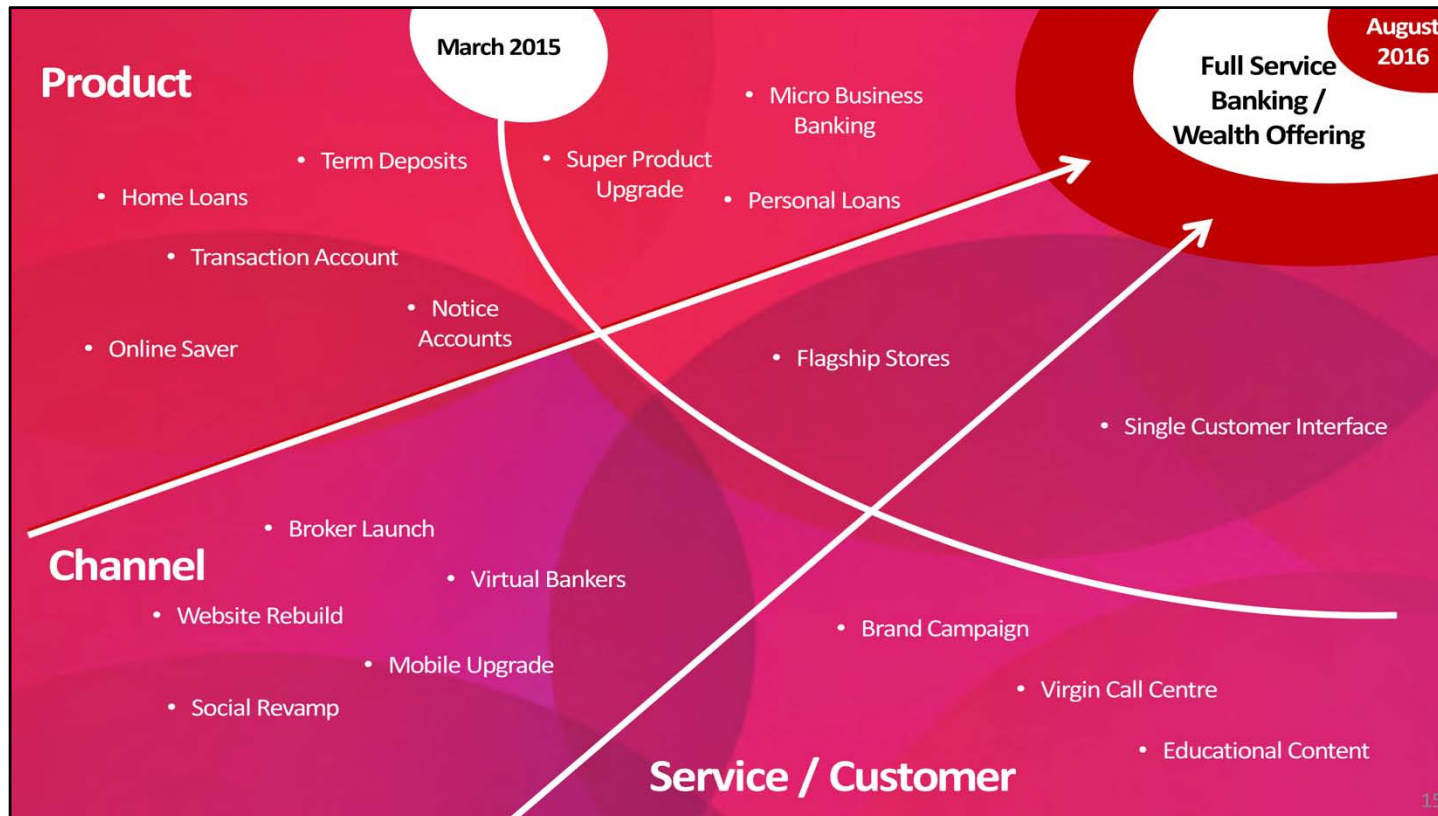


Income diversity



- BOQ and Virgin are a highly complementary fit which has been lacking in past iterations.
- Brands appeal to different customer segments and provides good geographic diversification for BOQ.
- Virgin brings online capability and experience in direct and digital channels.
- Complementary product sets and ability to offer banking products through Virgin in the future.

Notes:



Notes:

- Three year target plans for product, channel and service/customer.
- Large body of work which, once executed, will produce a full service banking/wealth offering.
- Highlights include substantial digital/mobile upgrade, bringing together customer service in a single customer interface and new channels of broker, virtual banker and unique flagship stores.

Virgin Money Australia: summary

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Notes:

Notes:

Summary

Stuart Grimshaw
Managing Director and CEO

BOQ Strategy Update
14 November 2013

Bank of Queensland Limited ABN 32 009 656 740. AFSL No 244616.



Notes:



- Looking forward, as it has been for the past two years, it's all about execution.
- We're largely implementing strategies that others have successfully implemented – it's basic banking done well.
- We will retain and exploit our competitive advantage through relationship-based distribution.
- We will continue to deliver our four pillar strategy: expanding our distribution channels, balancing risk and return, finding ways to become more efficient and fostering a culture that really makes it possible to love a bank

Important notices

Financial amounts

All dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated. Pro-forma financial information and past information provided in this Presentation is for illustrative purposes only and is not represented as being indicative of BOQ's views on its future financial condition and/or performance. Past performance, including past trading or share price performance, of BOQ cannot be relied upon as an indicator of (and provides no guidance as to) future BOQ performance including future trading or share price performance.

Future performance

This Presentation contains certain "forward looking statements". Forward looking statements can generally be identified by the use of forward looking words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "will", "could", "may", "target", "plan" and other similar expressions within the meaning of securities laws of applicable jurisdictions. The forward looking statements contained in this Presentation involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of BOQ, and may involve significant elements of subjective judgement as to future events which may or may not be correct.

There can be no assurance that actual outcomes will not differ materially from these forward-looking statements.

Non statutory financial disclosures are not audited.